



Public Service Commission of Wisconsin

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PSC Reduces Xcel Energy's Request to Increase Rates

Increased Natural Gas Costs is a Main Driver of Increase

MADISON - Today, the Public Service Commission of Wisconsin (PSC) reviewed Northern States Power Company's (a Wisconsin corporation d/b/a Xcel Energy) request to increase electric and gas rates. The Commission found that increased fuel costs was the major factor driving the request.

The Commission trimmed the request, but found that 46 percent of the rate increase was due to the increased cost of fuels, especially natural gas. Natural gas prices have increased dramatically over the past few years and have recently spiked. Under federal law, natural gas is an unregulated commodity and utilities largely pass these costs directly through to their customers. From November 2004 to November 2005, natural gas prices nearly doubled, from \$6.67 per decatherm to \$11.31 per decatherm.

In a verbal decision today, the Commission took steps to help Wisconsin consumers:

- The Commission trimmed Xcel Energy's electric request by about 4 percent and its natural gas request by 2.5 percent. The Commission set overall electric rates to increase by an estimated 11 percent and gas rates by 2.5 percent. The Commission noted that if natural gas prices would have remained consistent, Xcel Energy's request would have been cut nearly in half.
- The Commission set a return on equity for Xcel Energy shareholders of 11.0 percent, lower than proposed by the utility.
- The Commission also acted today to require quicker rate reductions when the natural gas market prices go down.
- Under today's decision, the average residential Xcel Energy customer will see a monthly increase of approximately \$8.50 for electric service and \$2.25 for gas service.

When a utility requests a change in rates, the PSC conducts a thorough audit of the utility's forecasted expenses and revenues. The agency looked at the amount Xcel Energy needs to provide a reliable source of energy to customers, which includes costs for maintenance, new construction, fuels, environmental protection and employee wages.

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Xcel Energy filed its application for a rate increase in June 2005 and updated its request in August and December. Public hearings were held in November in Madison, Eau Claire and LaCrosse. The testimony provided at the hearings was part of the record the Commission reviewed as it considered all the aspects of the application.

The Commission will issue a written order to finalize the rates approved in today's decision. The new rates become effective after the written order is issued.

The documents associated with Xcel Energy's application can be viewed on the PSC's Electronic Regulatory Filing System at <http://psc.wi.gov/>. Type case number 4220-UR-114 in the boxes provided on the PSC homepage or click on Electronic Regulatory Filing System button.

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